

**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

|  |   |               |
|--|---|---------------|
| Request for Comments On The Procurement    | ) |               |
| Of Default Service Power Supply For        | ) | D.T.E. 04-115 |
| Residential and Small Commercial Customers | ) |               |
|  | ) |               |

**INITIAL COMMENTS OF  
DUKE ENERGY NORTH AMERICA, LLC**

On December 6, 2004, the Department of Telecommunications and Energy (“Department”) issued an Order requesting comments on the procurement of default service power supply for residential and small commercial customers (“Order”). In response to the Order, Duke Energy North America, LLC (“DENA”) appreciates the opportunity to participate and respectfully offers for consideration the following comments.

**I. Procurement Term**

DENA believes there could be some advantage to a “laddered approach” to soliciting default service power supply, such as is used in New Jersey and Connecticut, for example. By segmenting the default service supply into a portfolio of short, medium, and long-term contracts, the Department can effectively smooth out the associated price volatility that might otherwise occur from soliciting 50% of load semi-annually for 12 month terms, as is the current practice. For example, if the Department requires distribution companies to purchase one-third of its default service load for a one-year term, one-third for a two-year term, and one-third for a three-year term, only one-third of the default service price will track annual movements in the market. Therefore, the

weighted average price volatility of the total load will vary less over that three-year period relative to the current procurement process. Less price volatility will benefit customers over the long-term.

## **II. Procurement Method**

DENA believes that the DTE should consider implementation of a state-wide auction as has been employed in other states. A descending clock auction, as is used in New Jersey, for instance, contains a certain level of bid price transparency which may result in lower prices relative to a RFP process. Therefore, the use of an auction process may help reach the Department's goals of ensuring that small customers enjoy the full benefits of a competitive wholesale market.

## **III. Conclusion**

DENA applauds the Department's ongoing efforts to design a default service power supply procurement process that will create a more robust wholesale and retail market for the benefit of Massachusetts consumers. In support thereof, DENA respectfully requests that the Department consider these comments in the above-captioned docket.

Respectfully Submitted,

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